




MEMORANDUM - OFFICE OF RECOVERY & REINVESTMENT

To: JoAnna Richard, Deputy Secretary – Wisconsin Dept. of Workforce Development

From: Chris Patton, Director 

Re: Financial Review – North Central Wisconsin Workforce Development Board, Inc.

Date: May 13, 2010

The Wisconsin Office of Recovery and Reinvestment (ORR) contracted with Jefferson Wells to conduct on-site reviews of non-profit entities that received Recovery Act funding from more than one federal/state program. In summary, the review was primarily financial in scope and encompassed risks and mitigating control activities related to the Entity Level Control Environment, Financial Reporting, Purchasing and Disbursements, Banking/Treasury, HR/Payroll, and Fixed Assets processes, and comprised of the following activities:

- Review of policies, procedures, and documented controls.
- Review of external auditor reports and evidence for remediation of findings.
- Inquiry of management to acquire a general understanding of entity relationships, transaction flows, and monitoring controls.
- Observation of transaction flows and control activities via process walkthroughs.
- Review of system access reports for adequate segregation of duties.
- Review for evidence of operational effectiveness of key controls, including account reconciliations, transaction authorizations, and appropriate disposition of assets.
- Review of transaction detail on a sample basis for evidence that funds have been appropriately accounted for and/or disbursed.

The reviewers met with both management and financial staff to review the activities and controls associated with Recovery Act grants or the administrative financial controls in place prior to receipt of the grant funding. The common grants that have been issued to North Central Wisconsin Workforce Development Board, Inc., include the following:

PROGRAM	STATE/ FEDERAL AGENCY	AWARD AMOUNT
WIA Adult, Dislocated, and Youth Workers	DWD/DOL	2,753,733

Additionally, some entities have been awarded funds directly from a federal agency and the controls and procedures associated with these awards have also been reviewed at a high level.

The on-site review of North Central Wisconsin Workforce Development Board, Inc., was performed from March 10th through 12th, 2010. The review was primarily financial in scope, and focused on the agency's capabilities to mitigate the risk of fraud, waste, and abuse through internal controls including but not limited to management oversight, segregation of duties, and restricted access.

As stated in more detail in the attachment from Jefferson Wells, the review focused on policies and procedures, past audit reports, management and board engagement, transaction flows, system access, operational effectiveness of key controls and transaction details.

Upon completion of the review and examination of the supporting documentation, no instances of fraud, waste or abuse were noted. However, the following observations were noted from the reviewers along with recommendations suggested by ORR that may assist in mitigating any risk associated with the observations:

Management Oversight:

Observation: The lack of a consistent and documented management review process increases the risk that errors and/or fraudulent activities may not be detected on a timely basis. Noted deficiencies include:

1. CORE Reporting – Management reviews financial data prior to the submission to CORE; however, there is no reconciliation of the resulting online CORE reports and the Agency's general ledger. Such reconciliation would help identify errors in keying and transmission or mapping errors within CORE.
2. Payroll – The lack of directives and procedures to properly allocate hours that are attributable to ARRA. It was noted that one employee charges time to "Work Keys", which is a program that identifies skills needed for a particular job and any potential skill gaps the participant should address. The program includes testing, training, and certification to prepare participants for entry into the workforce. On a case by case basis, ARRA participants may or may not participate in the Work Keys program. To the extent that the agency employee spends time on Work Keys programs benefitting ARRA sponsored participants, they should allocate such Work Keys time to ARRA. However, there is currently no method in place to identify how much of the employee's Work Keys time is ARRA related, nor is there a defined method to allocate these hours between ARRA and non-ARRA activities.

3. Banking/Treasury –

- At the time of fieldwork, it was noted that the signatories on record at the bank had not been updated for a November 2009 change in the Board of Directors membership. However, the system generated check signatures have been updated to reflect the change.
- Bank reconciliations are prepared monthly by the Accounting Coordinator and independently reviewed by the Executive Director. The Accounting Coordinator stopped signing the reconciliation, as preparer, in October 2009. The Accounting Coordinator's signoff would evidence accountability and independence from the reviewer. However, the Executive Director review is evidenced by her signature each month.

Recommendation: Best practices would include requiring basic management oversight and review processes to ensure accurate financial reporting and oversight. Senior management should be explicitly charged with identification, assessment and oversight of key financial risk exposures. Effective board and senior management financial oversight includes a disciplined, structured process that leads to consistent risk identifications and measurements at all levels of the organization. Additionally, management should have a system in place that correctly records any work hours that will be allocated to ARRA activities.

As a state agency with the responsibility for ensuring that sub-recipients comply with complex requirements associated with the granting of Recovery Act funds, this information is being forwarded to your attention so that you attend to the issues that may impact your specific program. ORR expects that each agency will take the appropriate steps to mitigate fraud, waste and abuse as it relates to Recovery Act funding. For your convenience, I have enclosed a copy of the Field Review Program Worksheet, which details the scope and results of the review. A copy of this memorandum is also being provided as a courtesy to North Central Wisconsin Workforce Development Board, Inc.

As a result of this review, if you require sub-recipients to demonstrate any change of policy or procedure, please forward a copy of any correspondence to the attention of the Recovery Office.

If you have any questions, you can contact Dan Subach at (608) 266-7602 or Art Stauffacher at (608) 267-3672. Thank you for your cooperation in assisting us in assuring the public of the accountability and transparency of Recovery Act funds.

cc: Sally Cutler, North Central Wisconsin Workforce Development Board, Inc.